

Appendix 6: National Hospital Cost Data Collection

The National Hospital Cost Data Collection (NHCDC) was established to produce annual updates of Australian Refined Diagnosis Related Groups (AR-DRG) cost weights and estimated average costs, as incorporated into tables in Chapters 2, 4, 7 and 12. It is a voluntary collection of hospital cost and activity data covering the financial year prior to the collection period, undertaken by the Department of Health and Ageing. Both public and private hospital data are included, with the results being separately reported for the two sectors. The latest data available at the time of publication of this report were for the 2003–04 financial year (Round 8) for public hospitals (DoHA 2005a) and the 2002–03 financial year (Round 7) for private hospitals (DoHA 2004a).

In the 2002–03 and 2003–04 collections, cost data were obtained for products other than acute admitted patients, such as outpatient care, emergency department care, admitted patient rehabilitation care, admitted patient palliative care, outreach/community, teaching and research. However, this report uses the cost data for acute admitted patients only. Unless otherwise specified, the cost weight data in this report for public hospitals uses AR-DRGs version 5.1 and cost weight data for AR-DRGs version 5.0 (DoHA 2005a), while for private hospitals AR-DRGs version 4.2 are used and cost weight data for AR-DRG version 4.2 for 2002–03 (DoHA 2004a).

The NHCDC involves arrangements whereby the hospital data are collected by the individual hospitals, and checked and validated by state/territory/private sector coordinators before being passed on to the Department of Health and Ageing. The production and publication of the final cost weights and associated tables follow extensive quality assurance procedures undertaken by the department, and endorsement of the results by the states and territories. The participating hospitals include both patient costing and cost modelling sites. Cost modelling refers to a process where estimates of costs are produced at the level of each AR-DRG. Cost modelling is a 'top down' approach where costs from the hospitals' general ledgers are allocated to acute admitted patients using a series of allocation statistics. Patient costing is a 'bottom up' approach where the costs of each service provided to an individual patient are measured or estimated to obtain the total cost of treating individual patients. The majority of participating hospitals are cost modelled sites.

The number of public hospitals included in the collection in 2003–04 was 225. Although the coverage of public hospitals was approximately 44.0% of all public hospitals, the total number of separations was approximately 88.1% of public hospital separations (DoHA 2005a). A total of 113 private hospitals contributed to the 2002–03 collection, representing about 51% of all private hospitals and 65.1% of private hospital separations (DoHA 2004a). The average cost per separation was estimated at \$3,119 for public hospitals for 2003–04 and at \$2,396 for private hospitals for 2002–03. Both these estimates included estimates for depreciation.

Further information is provided in the NHCDC reports for 2002–03 and 2003–04 (DoHA 2004a, 2005). Cost weights and associated tables for each round of the NHCDC can be obtained from the Department of Health and Ageing or on the Casemix web site at www.health.gov.au.